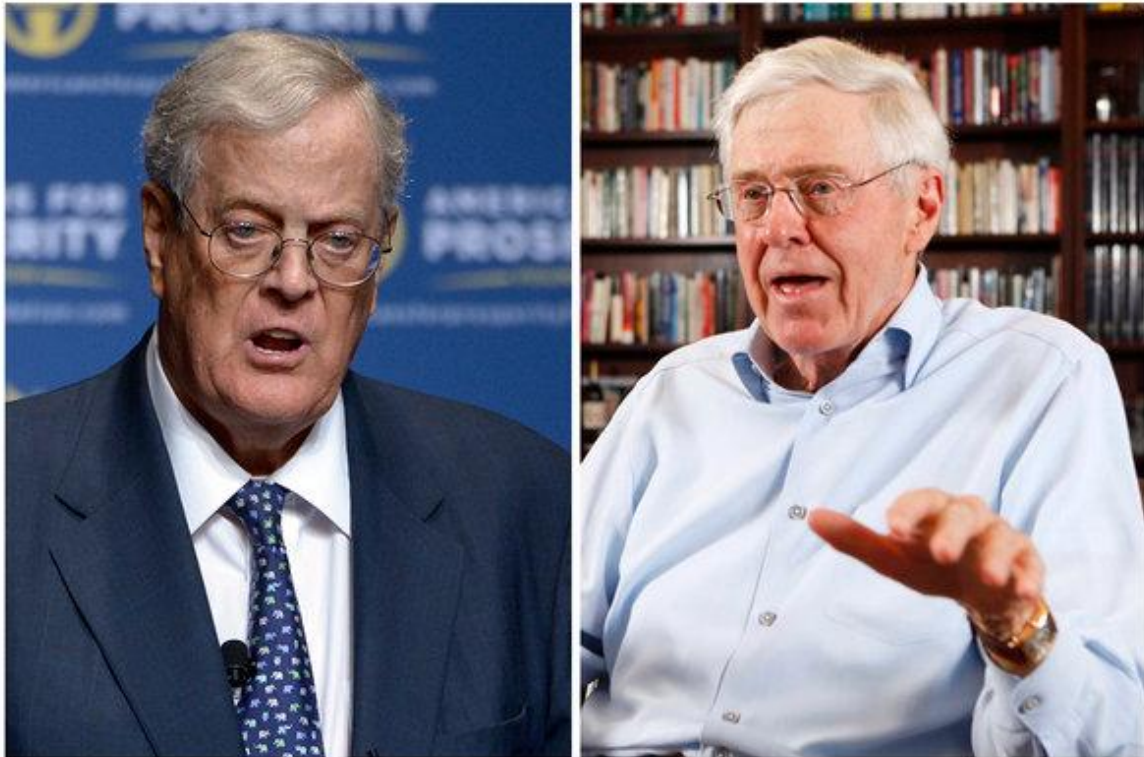


I.R.S. Will No Longer Force Kochs and Other Groups to Disclose Donors

The New York Times, July 17, 2018



The Internal Revenue Service will no longer require labor unions, social clubs and many political groups, like Americans for Prosperity, financed by David Koch, left, and Charles Koch, to disclose their large donors. Associated Press, left; Bo Rader/The Wichita Eagle, via Associated Press

The Trump administration will end a longstanding requirement that certain nonprofit organizations disclose the names of large donors to the Internal Revenue Service, a move that will allow some political groups to shield their sources of funding from government scrutiny.

The change, which has long been sought by conservatives and Republicans in Congress, will affect thousands of labor unions, social clubs and political groups as varied as arms of the AARP, the United States Chamber of Commerce, the National Rifle Association and Americans for Prosperity, which is funded partly by the billionaire brothers Charles and David Koch.

Such groups have played an increasingly prominent role in American politics in the wake of the [Supreme Court's 2010 ruling](#) in a case brought by the nonprofit group Citizens United, which empowered them to spend unlimited money on campaign ads.

Treasury officials said the reporting change — which affects contributions known as dark money because their source is hidden — would protect privacy and reduce

compliance costs for nonprofit organizations. The I.R.S. could still request donor information from groups in the rare event that it was needed for tax scrutiny.

“Americans shouldn’t be required to send the I.R.S. information that it doesn’t need to effectively enforce our tax laws, and the I.R.S. simply does not need tax returns with donor names and addresses to do its job in this area,” Steven Mnuchin, the Treasury secretary, said in a statement on Monday evening.

But critics denounced the measure, saying it would encourage political donations from both domestic and foreign contributors who want to skirt the law or keep their influence secret.

“It’s a clear signal that the I.R.S. and now the Treasury Department are not interested in any significant oversight of nonprofits,” said Marcus S. Owens, a Washington lawyer and former director of the I.R.S. division for tax-exempt organizations. “What they’re doing is excusing them from filing information that is of material importance for determining whether organizations are operating appropriately and within the boundaries of the rules.”

Lloyd Hitoshi Mayer, a law professor at Notre Dame Law School, said it would further diminish reporting requirements for the groups. “This will make so-called dark money a bit darker,” he said.

Previously, nonprofit organizations like unions and organizations registered under section 501(c)(4) of the tax code were required to report to the government the names of donors who contributed more than \$5,000 in the span of a year. That information was redacted on the [publicly viewable forms](#) the groups file annually, though [amounts of donations remain visible](#).

Nonprofit groups that exist primarily to influence political campaigns, including so-called 527 organizations, will still be required to report the names of large donors, as will charities that accept tax-deductible contributions.

Conservative groups and donors had been lobbying the Trump administration to make the change, partly by arguing that the reporting requirement made their funders vulnerable to exposure by the I.R.S. and state regulators.

“Transparency is meant for the government, not for private individuals,” said Philip Ellender, the head lobbyist for Koch Industries, the international conglomerate owned by the Koch brothers. Koch Industries began lobbying the White House on the issue after President Trump’s election, according to [lobbying filings](#).

Additionally, Americans for Prosperity and other 501(c)(4) organizations in the Koch brothers’ network of advocacy groups were among dozens of such nonprofit groups to sign onto a [letter sent in May](#) to Mr. Trump and Mr. Mnuchin declaring a policy

change “an issue of utmost importance.” The letter accused the I.R.S. of “targeting of nonprofit organizations on the basis of ideology.”

Officials with the Treasury Department largely echoed that reasoning, explaining that the move was driven in part by the I.R.S.’s inappropriate targeting of political groups during the administrations of Presidents George W. Bush and Barack Obama. The I.R.S. inspector general found that both [conservative and progressive groups were targeted](#) and that I.R.S. officials inappropriately sought information on [donors to Tea Party groups](#) as well as to liberal groups.

In [guidance issued by the I.R.S. late on Monday](#), administration officials said that the agency did not need personally identifiable donor information “in order for it to carry out its responsibilities.”

“The requirement to report such information increases compliance costs for some private parties, consumes I.R.S. resources in connection with the redaction of such information, and poses a risk of inadvertent disclosure of information that is not open to public inspection,” the guidance said.

There are many examples of inadvertent disclosure of donor information from federal forms in recent years. In 2013, the I.R.S. [posted a list of donors](#) to an arm of the Republican Governors Association. In 2016, a federal judge [cited a pattern of such disclosures](#) when ruling against the State of California’s request for donor information from Americans for Prosperity.

The ruling noted that the state had posted more than 1,700 confidential donor lists on the internet, including the names and addresses of hundreds of donors to Planned Parenthood.

The I.R.S. will now be able to see those groups’ lists of big donors only if it specifically requests them. Those lists are not open to the public under existing rules.

Steven M. Rosenthal of the nonpartisan Tax Policy Center said the change effectively ends the agency’s oversight. “The I.R.S. audits tax-exempt organizations once in a blue moon and only after many years,” said Mr. Rosenthal, noting that the agency has been starved for resources and has had to cut back enforcement. “It’s an impossible challenge” to follow the money trail at that point.

Republicans hailed the move, with Mitch McConnell, the Senate majority leader, on Tuesday calling the decision “particularly welcome news to those of us who intently are focused on defending the First Amendment, for those of us who over the years have raised concerns during the last administration about activist regulators punishing free speech and free association. It’s a straightforward, common sense policy decision.”

Democrats shot back, with Senator Ron Wyden, an Oregon Democrat and the ranking member on the Finance Committee, saying the decision would allow “anonymous foreign donors to funnel dark money into nonprofits.”

A version of this article appears in print on July 18, 2018, on Page A18 of the New York edition with the headline: I.R.S. Will No Longer Require Certain Nonprofits to Disclose Large Donors. [Order Reprints](#) | [Today's Paper](#) | [Subscribe](#)